

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Laingsburg	County Shiawassee
Audit Date 6/30/05	Opinion Date 9/8/05	Date Accountant Report Submitted to State: 11/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Rd, Suite 100		City East Lansing	State MI
		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Jones</i>			Date 11/15/05

**City of Laingsburg
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2005

City of Laingsburg
Shiawassee County, Michigan
June 30, 2005
CITY COUNCIL AND ADMINISTRATION

Mr. Micheal Culpepper	Mayor
Mr. Brian Fredline	Council Member
Mr. David Hartman	Council Member
Mr. David Rhodabeck	Council Member
Mr. Robert Frank	Council Member
Mr. Thad Rose	Council Member
Mr. Timothy Leonard	Council Member
Ms. Paula Willoughby	Treasurer
Ms. Lana Kaiser	City Clerk

City of Laingsburg

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Laingsburg
Laingsburg, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laingsburg's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 8, 2005

City of Laingsburg

Management's Discussion and Analysis

Year Ended June 30, 2005

New Financial Reporting

Starting with fiscal year 2004, the City of Laingsburg, Michigan (the "City") revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the City's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the City. The standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the City's financial status. Through this comprehensive reporting of assets and liabilities, the reader will have a greater understanding of the City's financial health.

The discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- State shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$7,400 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$24,500 from the prior year. The increase is the net result of increased residential building that has increased the City's taxable value from approximately \$19 million to \$21 million.
- The City was approved for \$322,750 DNR Grants that require a fifty percent match in connection with major improvements currently being made in McClintock Park.
- The City of Laingsburg made the following debt payments:
 - 4th annual payment of five on the 2001 Police Car, \$6,533
 - 4th annual payment of four on the 2001 Case Backhoe, \$15,553
- Total fund balances related to the City's governmental funds increased by \$85,723.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Laingsburg as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the City of Laingsburg in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City of Laingsburg acts solely as a trustee or agent for the benefit of those outside the government.

City of Laingsburg
Management's Discussion and Analysis
Year Ended June 30, 2005

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2005 and 2004, respectively.

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Current and other assets	\$ 431,578	\$ 307,146	\$ 728,220	\$ 557,401	\$ 1,159,798	\$ 864,547
Capital assets	<u>938,491</u>	<u>779,753</u>	<u>1,322,718</u>	<u>1,407,796</u>	<u>2,261,209</u>	<u>2,187,549</u>
Total assets	1,370,069	1,086,899	2,050,938	1,965,197	3,421,007	3,052,096
Liabilities						
Current liabilities	56,015	40,430	1,969	1,205	57,984	41,635
Long-term liabilities	<u>60,875</u>	<u>12,497</u>	<u>-</u>	<u>-</u>	<u>60,875</u>	<u>12,497</u>
Total liabilities	116,890	52,927	1,969	1,205	118,859	54,132
Net Assets						
Invested in capital assets						
Net of related debt	872,507	753,141	1,322,718	1,407,796	2,195,225	2,160,937
Restricted	92,926	43,224	-	-	92,926	43,224
Unrestricted	<u>287,746</u>	<u>237,607</u>	<u>726,251</u>	<u>556,196</u>	<u>1,013,997</u>	<u>793,803</u>
	<u>\$ 1,253,179</u>	<u>\$ 1,033,972</u>	<u>\$ 2,048,969</u>	<u>\$ 1,963,992</u>	<u>\$ 3,302,148</u>	<u>\$ 2,997,964</u>

The City's total net assets were \$3,302,148 at June 30, 2005, representing an increase of \$304,184 from the prior year. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,013,997 at the end of the fiscal year, representing an increase of \$220,194 from the prior year. The amount invested in capital assets, net of related debt was \$2,195,225.

City of Laingsburg

Management's Discussion and Analysis

Year Ended June 30, 2005

The following table shows the changes in net assets during the current year and prior year, respectively.

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2005	2004	2005	2004	2005	2004
Revenue						
Program Revenue						
Charges for services	\$ 87,226	\$ 77,059	\$ 213,245	\$ 198,517	\$ 300,471	\$ 275,576
Operating grants and contributions	36,250	63,149	-	-	36,250	63,149
Capital grants and contributions	100,744	-	-	-	100,744	-
General Revenue						
Property taxes	309,463	290,601	-	-	309,463	290,601
State shared revenue	247,566	264,374	-	-	247,566	264,374
Investment earnings	12,963	1,517	36,508	1,176	49,471	2,693
Other revenues	47,960	65,784	-	212	47,960	65,996
Total revenue	842,172	762,484	249,753	199,905	1,091,925	962,389
Program Expenses						
General government	141,016	203,758	-	-	141,016	203,758
Public safety	201,283	189,473	-	-	201,283	189,473
Public works	177,461	271,020	-	-	177,461	271,020
Community and economic development	-	16,000	-	-	-	16,000
Recreation and cultural	101,478	97,720	-	-	101,478	97,720
Interest on long-term debt	1,361	2,133	-	-	1,361	2,133
Other	16,366	16,608	-	-	16,366	16,608
Sewer system	-	-	164,776	174,689	164,776	174,689
Total program expenses	638,965	796,712	164,776	174,689	803,741	971,401
Transfers	-	7,777	-	(7,777)	-	-
Change in net assets	\$ 203,207	\$ (26,451)	\$ 84,977	\$ 17,439	\$ 288,184	\$ (9,012)

Governmental Activities

The City's governmental revenues totaled \$842,172, which represents an increase of \$79,688 from the prior year, with the greatest revenue source being property taxes. Property taxes make up approximately 37 percent of total governmental revenue. Over the past few years, state shared revenue has declined while investment earnings reversed the downward trend and increased this year.

The City incurred governmental expenses of \$638,965, which represents a decrease of \$157,747 from the prior year. The largest area of governmental expense is associated with the public safety function.

The net assets of the governmental activities increased by \$203,207.

Business-type Activities

Net assets of the business-type activities increased by \$84,977 during the year ended June 30, 2005. The majority (85%) of the revenue of the business-type activities is generated through user charges. Depreciation of the sewer system's capital assets represents approximately 52% of the business-type activities' expenses. Of the total \$2.0 million of net assets of the business-type activities as of June 30, 2005, \$1.3 million is invested in capital assets net of related debt.

City of Laingsburg

Management's Discussion and Analysis

Year Ended June 30, 2005

The City's Funds - Fund Level Financial Statements

The analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Laingsburg as a whole. The City of Laingsburg creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for the fiscal year ended June 30, 2005 include the General Fund, the Major Street Fund, the Park and Recreation Fund and the Sewer System Fund.

The General Fund pays for most of the City's governmental services. The most significant services provided during the fiscal year were general government and public safety. General government includes City hall and grounds and other City services and public safety includes the police department as well as planning and zoning. The general government and public safety incurred expenditures of \$134,593 and \$207,208, respectively, for the fiscal year.

The Major Street Fund pays for most of the City's repairs and maintenance of the City's streets and incurred expenditures of \$77,694 for the fiscal year.

The Park and Recreation Fund pay for the enhancements to the City's parks and incurred expenditures of \$93,661 for the fiscal year. These expenditures are being reimbursed at 50% by a grant from the Michigan Department of Natural Resources.

The Sewer Fund pays for the City's Sewer service to the public and incurred expenses of \$164,776 for the fiscal year, expenses are funded through sewer user charges.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of repairs to City Hall, as well as increasing the budget for sidewalk projects that were not expected to be financed this year. However, because most departments came in under budget at year end, there was an overall favorable variance of \$55,462 from budget.

Capital Asset and Debt Administration

At the end of the fiscal year, the City had approximately \$5,001,038 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. In addition, the City has made certain investments in road and drain infrastructure within the City limits of Laingsburg.

During the current year the City paid \$23,652 in debt principal. The City has \$79,687 in debt outstanding as of June 30, 2005.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. Interest rates are expected to continue their favorable trend upward.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk or Treasurer at the City Hall.

BASIC FINANCIAL STATEMENTS

City of Laingsburg

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(DDA)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 170,464	\$ 426,756	\$ 597,220	\$ 25,166
Receivables	905	80,427	81,332	-
Due from other governmental units	139,888	-	139,888	-
Internal balances	250	(250)	-0-	-
Total current assets	311,507	506,933	818,440	25,166
Noncurrent assets				
Cash - restricted	32,040	-	32,040	-
Investments	88,031	221,287	309,318	-
Capital assets not being depreciated	149,920	-	149,920	-
Capital assets being depreciated, net	788,571	1,322,718	2,111,289	-
Total noncurrent assets	1,058,562	1,544,005	2,602,567	-0-
TOTAL ASSETS	1,370,069	2,050,938	3,421,007	25,166
LIABILITIES				
Current liabilities				
Accounts payable	27,769	502	28,271	-
Due to other governmental units	-	-	-0-	15,000
Other accrued liabilities	8,686	1,467	10,153	-
Accrued interest payable	748	-	748	-
Current portion of compensated absences	9,550	-	9,550	-
Current portion of long-term debt	9,262	-	9,262	-
Total current liabilities	56,015	1,969	57,984	15,000
Noncurrent liabilities				
Noncurrent portion of compensated absences	4,153	-	4,153	-
Noncurrent portion of long-term debt	56,722	-	56,722	-
Total noncurrent liabilities	60,875	-0-	60,875	-0-
TOTAL LIABILITIES	116,890	1,969	118,859	15,000
NET ASSETS				
Invested in capital assets, net of related debt	872,507	1,322,718	2,195,225	-
Restricted for community projects	23,496	-	23,496	-
Restricted for streets	69,430	-	69,430	-
Unrestricted	287,746	726,251	1,013,997	10,166
TOTAL NET ASSETS	\$ 1,253,179	\$ 2,048,969	\$ 3,302,148	\$ 10,166

See accompanying notes to financial statements.

City of Laingsburg

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Unit
Primary government							
Governmental activities							
General government	\$ 141,016	\$ 72,023	\$ -	\$ -	\$ (68,993)	\$ -	\$ (68,993)
Public safety	201,283	8,666	10,759	-	(181,858)	-	(181,858)
Public works	177,461	-	-	22,513	(154,948)	-	(154,948)
Recreation and cultural	101,478	6,537	25,491	78,231	8,781	-	8,781
Interest on long-term debt	1,361	-	-	-	(1,361)	-	(1,361)
Other	16,366	-	-	-	(16,366)	-	(16,366)
Total governmental activities	638,965	87,226	36,250	100,744	(414,745)	-0-	(414,745)
Business-type activities							
Sewer system	164,776	213,245	-	-	-	48,469	48,469
Total primary government	\$ 803,741	\$ 300,471	\$ 36,250	\$ 100,744	(414,745)	48,469	(366,276)
Component unit							
Downtown Development Authority	\$ 20,390	\$ 1,400	\$ -0-	\$ -0-	-	-	-0-
							(18,990)
General revenues							
Property taxes					309,463	-	309,463
State shared revenues					247,566	-	247,566
Investment earnings					12,963	36,508	49,471
Penal fines					32,568	-	32,568
Miscellaneous					15,392	-	15,392
Total general revenues					617,952	36,508	654,460
							45,066
Change in net assets					203,207	84,977	288,184
							26,076
Net assets, beginning of the year					1,033,972	1,963,992	2,997,964
							90
Prior period adjustments					16,000	-	16,000
							(16,000)
Net assets, end of the year					\$ 1,253,179	\$ 2,048,969	\$ 3,302,148
							\$ 10,166

See accompanying notes to financial statements.

City of Laingsburg

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Special Revenue Major Street	Capital Project Park and Recreation Fund	Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 96,951	\$ 34,941	\$ -	\$ 38,572
Cash and cash equivalents - restricted	5,033	-	27,007	-
Investments	88,031	-	-	-
Accounts receivable	905	-	-	-
Due from other governmental units				
Local	15,000	-	-	22,274
Federal/State	23,046	11,931	63,231	4,406
Due from other funds	41,983	-	-	-
TOTAL ASSETS	\$ 270,949	\$ 46,872	\$ 90,238	\$ 65,252
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payables				
Accounts	\$ 2,563	\$ 76	\$ 25,130	\$ -
Wages	6,086	486	-	1,525
Other accrued liabilities	589	-	-	-
Due to other funds	-	3	41,612	118
TOTAL LIABILITIES	9,238	565	66,742	1,643
FUND BALANCES				
Unreserved				
Designated for community projects	61,523	-	23,496	-
Undesignated, reported in				
General Fund	200,188	-	-	-
Special revenue funds	-	46,307	-	63,609
TOTAL FUND BALANCES	261,711	46,307	23,496	63,609
TOTAL LIABILITIES AND FUND BALANCES	\$ 270,949	\$ 46,872	\$ 90,238	\$ 65,252

See accompanying notes to financial statements.

Total
Governmental
Funds

\$ 170,464
32,040
88,031
905

37,274
102,614
41,983

\$ 473,311

\$ 27,769
8,097
589
41,733

78,188

85,019

200,188
109,916

395,123

\$ 473,311

City of Laingsburg

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2005

Total fund balance - governmental funds **\$ 395,123**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,789,882	
Accumulated depreciation is	<u>(851,391)</u>	
Capital assets, net		938,491

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Long-term debt payable	\$ 65,984	
Accrued interest payable	748	
Compensated absences	<u>13,703</u>	
		<u>(80,435)</u>

Net assets of governmental activities **\$ 1,253,179**

See accompanying notes to financial statements.

City of Laingsburg

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Special Revenue Major Street	Capital Project Park and Recreation Fund	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 315,133	\$ -	\$ -	\$ -
Licenses and permits	13,321	-	-	-
Intergovernmental	161,963	96,275	78,231	36,396
Charges for services	2,064	-	-	5,820
Fines and forfeits	9,652	-	-	33,285
Interest and rents	57,533	263	-	272
Other	14,272	1,163	14,260	2,268
TOTAL REVENUES	573,938	97,701	92,491	78,041
EXPENDITURES				
Current				
General government	134,593	-	-	-
Public safety	207,208	-	-	-
Public works	129,934	77,694	-	21,643
Recreation and cultural	35,037	-	-	66,160
Other	16,366	-	-	-
Capital outlay	15,090	-	93,661	-
Debt service	22,086	-	-	-
TOTAL EXPENDITURES	560,314	77,694	93,661	87,803
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,624	20,007	(1,170)	(9,762)
OTHER FINANCING SOURCES (USES)				
Note proceeds	63,024	-	-	-
Transfers in	-	-	24,666	20,000
Transfers out	(44,666)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	18,358	-	24,666	20,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	31,982	20,007	23,496	10,238
Fund balances, beginning of year	213,729	26,300	-	53,371
Prior period adjustment	16,000	-	-	-
Fund balances, end of year	\$ 261,711	\$ 46,307	\$ 23,496	\$ 63,609

See accompanying notes to financial statements.

Total
Governmental
Funds

\$ 315,133
13,321
372,865
7,884
42,937
58,068
31,963

842,171

134,593
207,208
229,271
101,197
16,366
108,751
22,086

819,472

22,699

63,024
44,666
(44,666)

63,024

85,723

293,400

16,000

\$ 395,123

City of Laingsburg

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Net change in fund balances - total governmental funds **\$ 85,723**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 236,887	
Depreciation expense	<u>(78,149)</u>	
Excess of capital outlay over depreciation expense		158,738

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt proceeds	(63,024)	
Repayment of long-term debt	<u>23,652</u>	
		(39,372)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	224	
(Increase) in accrued compensated absences	<u>(2,106)</u>	
		<u>(1,882)</u>

Change in net assets of governmental activities **\$ 203,207**

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Sewer System</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 426,756
Accounts receivable	<u>80,427</u>
Total current assets	507,183
Noncurrent assets	
Capital assets being depreciated, net	1,322,718
Investments	<u>221,287</u>
Total noncurrent assets	<u>1,544,005</u>
TOTAL ASSETS	2,051,188
LIABILITIES	
Current liabilities	
Accounts payable	502
Accrued wages	1,467
Due to other funds	<u>250</u>
TOTAL LIABILITIES	<u>2,219</u>
NET ASSETS	
Invested in capital assets	1,322,718
Unrestricted	<u>726,251</u>
TOTAL NET ASSETS	<u>\$ 2,048,969</u>

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2005

	Sewer System
OPERATING REVENUES	
Charges for services	\$ 213,245
OPERATING EXPENSES	
Salaries and wages	33,919
Fringe benefits	8,407
Contractual services	10,642
Utilities	3,453
Equipment rental	7,777
Repairs and maintenance	9,796
Depreciation	85,078
Other	5,704
TOTAL OPERATING EXPENSES	164,776
OPERATING INCOME	48,469
NONOPERATING REVENUES	
Interest revenue	36,508
CHANGE IN NET ASSETS	84,977
Net assets, beginning of year	1,963,992
Net assets, end of year	\$ 2,048,969

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 209,930
Cash paid to employees and vendors	(70,339)
Cash paid for employee benefits	(8,407)
	<u>131,184</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	131,184
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturity of investments	65,019
Interest revenue	36,508
	<u>101,527</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	101,527
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,711
Cash and cash equivalents, beginning of year	<u>194,045</u>
Cash and cash equivalents, end of year	<u><u>\$ 426,756</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 48,469
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	85,078
(Increase) in receivables	(3,315)
Increase in accounts payable	502
Increase in due to other funds	188
Increase in accrued liabilities	262
	<u>131,184</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 131,184</u></u>

See accompanying notes to financial statements.

City of Laingsburg

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Agency Funds</u>		
	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 11,765	\$ 11,765
Investments	12,521	-	12,521
Due from individuals and agencies	7,342	-	7,342
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 19,863</u>	<u>\$ 11,765</u>	<u>\$ 31,628</u>
LIABILITIES			
Due to individuals and agencies	\$ 18,941	\$ -	\$ 18,941
Due to other governmental units			
County	-	2,056	2,056
State Education Tax	922	1,678	2,600
Fire Authority	-	279	279
Schools	-	7,752	7,752
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 19,863</u>	<u>\$ 11,765</u>	<u>\$ 31,628</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Laingsburg is located in Shiawassee County, Michigan and has a population of approximately 1,223. The City of Laingsburg operates with a Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the Treasurer, Clerk, Assessor, Chief of Police, and DPW Supervisor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Laingsburg (primary government) and its component unit (Downtown Development Authority).

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City of Laingsburg remains financially accountable for this entity.

The governing body of the Downtown Development Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council and the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues).

3. Jointly Governed Organizations

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City due to there being no ongoing financial interest or responsibility:

Laingsburg, Sciota, and Woodhull Emergency Services Authority - The City of Laingsburg, in conjunction with the Townships of Sciota and Woodhull, have entered into an agreement that created the Laingsburg, Sciota, and Woodhull Emergency Services Authority. The Emergency Services Authority is composed of two (2) members from each of the member municipalities. The City is responsible to pay a pro-rata portion of operating and construction costs based on the current taxable values of the member municipalities. The City did not contribute funds to the Emergency Services Authority for the year ended June 30, 2005.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's streets.
- c. The Parks and Recreation Fund is used to account for the financial resources related to park enhancements.
- d. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the council meeting nearest but no later than the third Monday in May, the City Treasurer submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include U.S. government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

9. Property Tax

The City of Laingsburg bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Laingsburg on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments and the State Education Tax. The December 1 levy is composed of county, fire authority, and schools taxes and special assessments. All real property taxes not paid to the City by March 1 are turned over to the Shiawassee County Treasurer for collection. The Shiawassee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2005, the City levied 15.9274 mills per \$1,000 of assessed valuation for general governmental services. The total Taxable Value for the 2004 levy for property within the City was \$21,424,570.

10. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. Compensated Absences

City employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2005 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**12. Capital Assets**

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Infrastructure	20 years

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes a pooled cash account for three funds. The City's pooled cash account consists of a checking account, utilized by the Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the basic financial statements.

The other funds of the City utilize separate savings, investment, and interest bearing checking accounts.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 469,237	\$ 501,562
COMPONENT UNIT		
Regular checking	<u>25,166</u>	<u>40,166</u>
TOTAL REPORTING UNIT	<u>\$ 494,403</u>	<u>\$ 541,728</u>

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2005, the carrying amount of the City's deposits was \$494,402 and the bank balance was \$541,728, of which \$100,000 was covered by federal depository insurance. The balance of \$441,728 was uninsured and uncollateralized.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments

As of June 30, 2005, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Citizen's Money Market Account	\$ 17,391	\$ 17,391	18 days
Edward Jones Money Market	21,114	21,114	1 day
Van Kampen Insured UIT	128,264	128,264	1 day
Insured or registered for which the securities are held by the City's agent not in the City's name			
Federal Home Loan Mortgage Bonds	129,488	129,488	198 days
Prime Mortgage Trust Pass Thru	23,520	23,520	29 years
GNMA II Guaranteed Pass Thru	66,430	66,430	28 years
Federal National Mortgage Association Remic.	<u>107,295</u>	<u>107,295</u>	29 years
	<u>\$ 493,502</u>	<u>\$ 493,502</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2005, all of the City's investments were rated Aaa by Standard and Poor's.

Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2005:

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

	Primary Government	Component Unit	Fiduciary Funds	Total
Cash and cash equivalents	\$ 597,220	\$ 25,166	\$ 11,765	\$ 634,151
Cash and cash equivalents - restricted	32,040	-	-	32,040
Investments	<u>309,318</u>	<u>-</u>	<u>12,521</u>	<u>321,839</u>
	<u>\$ 938,578</u>	<u>\$ 25,166</u>	<u>\$ 24,286</u>	<u>\$ 988,030</u>

The cash and cash equivalents captions on the basic financial statements include \$125 in imprest cash.

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2005:

	Employee Benefits	Community Projects	Total
General Fund	\$ 5,033	\$ -	\$ 5,033
Park and Recreation Fund	<u>-</u>	<u>27,007</u>	<u>27,007</u>
	<u>\$ 5,033</u>	<u>\$ 27,007</u>	<u>\$ 32,040</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2005, are as follows:

Due to General Fund from:	
Major Street Fund	\$ 3
Sewer System Fund	250
Nonmajor governmental funds	118
Park and Recreation Fund	<u>41,612</u>
	<u>\$ 41,983</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 20,000
Transfers to Park and Recreation Fund from:	
General Fund	<u>24,666</u>
	<u>\$ 44,666</u>

City of Laingsburg
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 55,451	\$ -	\$ -	\$ 55,451
Construction in progress	<u>-</u>	<u>94,469</u>	<u>-</u>	<u>94,469</u>
Subtotal of capital assets not being depreciated	55,451	94,469	-0-	149,920
Capital assets being depreciated				
Buildings and improvements	138,538	-	-	138,538
Vehicles	180,253	-	-	180,253
Equipment and furniture	179,215	45,446	(16,854)	207,807
Infrastructure	<u>1,016,392</u>	<u>96,972</u>	<u>-</u>	<u>1,113,364</u>
Subtotal of capital assets being depreciated	1,514,398	142,418	(16,854)	1,639,962
Less accumulated depreciation for				
Buildings and improvements	(65,306)	(4,400)	-	(69,706)
Vehicles	(159,597)	(9,620)	-	(169,217)
Equipment and furniture	(91,689)	(14,948)	16,854	(89,783)
Infrastructure	<u>(473,504)</u>	<u>(49,181)</u>	<u>-</u>	<u>(522,685)</u>
Total accumulated depreciation	<u>(790,096)</u>	<u>(78,149)</u>	<u>16,854</u>	<u>(851,391)</u>
Net capital assets being depreciated	<u>724,302</u>	<u>64,269</u>	<u>-0-</u>	<u>788,571</u>
Governmental activities net capital assets	<u>\$ 779,753</u>	<u>\$ 158,738</u>	<u>\$ -0-</u>	<u>\$ 938,491</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 7,917
Public safety	10,058
Public works	59,085
Recreation and cultural	<u>1,089</u>
Total depreciation expense	<u>\$ 78,149</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities				
Capital assets being depreciated				
Buildings and improvements	\$ 3,152,823	\$ -	\$ -	\$ 3,152,823
Machinery and equipment	55,031	-	-	55,031
Office and equipment	<u>3,302</u>	<u>-</u>	<u>-</u>	<u>3,302</u>
Subtotal of capital assets being depreciated	3,211,156	-0-	-0-	3,211,156
Less accumulated depreciation for				
Buildings and improvements	(1,760,611)	(78,958)	-	(1,839,569)
Machinery and equipment	(39,447)	(6,120)	-	(45,567)
Office and equipment	<u>(3,302)</u>	<u>(-)</u>	<u>-</u>	<u>(3,302)</u>
Total accumulated depreciation	<u>(1,803,360)</u>	<u>(85,078)</u>	<u>-0-</u>	<u>(1,888,438)</u>
Capital assets, net	<u>\$ 1,407,796</u>	<u>\$ (85,078)</u>	<u>\$ -0-</u>	<u>\$ 1,322,718</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Capital Lease - Police Car	\$ 11,828	\$ -	\$ 5,717	\$ 6,111	\$ 6,111
Loan Payable - Backhoe	14,784	-	14,784	-0-	-0-
Project reimbursement	-	63,024	3,151	59,873	3,151
Accumulated compensated absences	<u>11,597</u>	<u>2,106</u>	<u>-</u>	<u>13,703</u>	<u>9,550</u>
	<u>\$ 38,209</u>	<u>\$ 65,130</u>	<u>\$ 23,652</u>	<u>\$ 79,687</u>	<u>\$ 18,812</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Capital Lease

The City has entered into a lease purchase agreement to finance the acquisition of a police car. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at bargain price) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase agreement amounted to \$28,712.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	<u>\$ 6,111</u>	<u>\$ 422</u>

Project Reimbursement

The City has entered into an agreement to reimburse Verizon North for certain improvements made to the Downtown area. The agreement is dated July 23, 2004 and is due in annual installments of \$3,151 with no interest through July 23, 2024. The cost of improvements acquired under this agreement amounted to \$63,024.

Commitments under this agreement provide for minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2006	\$ 3,151
2007	3,151
2008	3,151
2009	3,151
2010	3,151
2011-2015	15,755
2016-2020	15,755
2021-2024	<u>12,608</u>
	<u>\$ 59,873</u>

Accumulated compensated absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$13,703 at June 30, 2005.

NOTE H: RETIREMENT PLAN**Plan Description**

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the City of Laingsburg. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the City Council. The plan requires a three (3) percent contribution from the employees.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE H: RETIREMENT PLAN - CONTINUED

Annual Pension Cost

For year ended June 30, 2005, the City of Laingsburg's annual pension cost of \$11,834 for the plan was equal to the City of Laingsburg's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 76,427	\$ 106,225	\$ 103,117
Actuarial accrued liability (AAL) (entry age)	105,957	111,152	101,551
Unfunded (overfunded) AAL	29,530	4,927	(1,566)
Funded ratio	72 %	96 %	102 %
Covered payroll	239,363	176,968	207,210
UAAL as a percentage of covered payroll	12 %	3 %	(1)%

	Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 9,553	\$ 11,043	\$ 11,834
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE J: FUND BALANCE DESIGNATIONS

Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the fund balance designations as of June 30, 2005:

<u>Fund Balance</u>	
General Fund	
Designated for community projects	\$ 61,523
Park and Recreation Fund	
Designated for community projects	<u>23,496</u>
	<u>\$ 85,019</u>

NOTE K: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2005:

REVENUES	
Building permits	\$ 8,277
EXPENDITURES	
Contractual services	2,663
Supplies and other	<u>7,561</u>
TOTAL EXPENDITURES	<u>10,224</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$(1,947)</u>

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2005:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for streets	\$ 69,430
Restricted for community projects	<u>23,496</u>
	<u>\$ 92,926</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE M: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as a change to beginning net assets and the affects both the fund financial statements and the government-wide financial statements. The effect of operations and other affected balances for the current and prior year are as follows:

	<u>2005</u>	June 30, <u>2004</u>	<u>Description</u>
Component Unit Fund			
Fund balance/net assets - ending	\$ -	\$(16,000)	Correct amounts for
Excess of revenues over expenditures/expenses	-	(16,000)	interfund payables
Fund balance/net assets - beginning	(16,000)	-	
General Fund/Governmental Activities			
Fund balance/net assets - ending	-	16,000	Correct amounts for
Excess of revenues over expenditures/expenses	-	16,000	interfund payables
Fund balance/net assets - beginning	16,000	-	

NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2005, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
General services	\$ 58,918	\$ 125,925	\$ 67,007
Capital outlay	6,880	15,090	8,210
Transfers out	-	44,666	44,666

REQUIRED SUPPLEMENTARY INFORMATION

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property taxes	\$ 316,883	\$ 316,883	\$ 315,133	\$ (1,750)
Licenses and permits				
Cable television license	4,788	4,788	5,044	256
City licenses and permits	6,100	8,100	8,277	177
Total licenses and permits	10,888	12,888	13,321	433
Intergovernmental				
State				
State shared revenue	140,000	140,000	145,224	5,224
State liquor license	1,350	1,350	1,345	(5)
Michigan justice training	950	950	468	(482)
Metro act	6,082	6,082	4,935	(1,147)
Federal				
COPS grant	-	9,900	9,991	91
Total intergovernmental	148,382	158,282	161,963	3,681
Charges for services				
Other fees	1,700	1,700	2,064	364
Fines and forfeits				
Parking	6,250	9,250	9,652	402
Interest and rents				
Interest	1,515	1,515	12,428	10,913
Rents	24,800	32,577	45,105	12,528
Total interest and rents	26,315	34,092	57,533	23,441
Other				
Refunds	450	450	2,282	1,832
Contributions	1,235	1,235	-	(1,235)
Other	11,500	19,500	11,990	(7,510)
Total other	13,185	21,185	14,272	(6,913)
TOTAL REVENUES	523,603	554,280	573,938	19,658

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Amended	Actual	
EXPENDITURES				
General government				
Council, boards, and commissions	\$ 8,060	\$ 6,060	\$ 4,513	\$ 1,547
Chief executive	2,673	2,673	2,073	600
Treasurer	34,444	32,444	26,435	6,009
Clerk	26,770	25,770	23,467	2,303
Contractual services	20,000	15,000	14,261	739
Assessor	9,700	9,700	8,937	763
Elections	7,100	4,900	2,628	2,272
City hall and grounds	48,430	54,076	42,973	11,103
Board of review	300	300	270	30
City services	17,735	19,735	9,036	10,699
Total general government	175,212	170,658	134,593	36,065
Public safety				
Police department	176,387	215,021	199,647	15,374
Zoning & Planning commission	5,440	10,440	7,561	2,879
Total public safety	181,827	225,461	207,208	18,253
Public works				
General services	51,418	58,918	125,925	(67,007)
Drains	3,950	4,450	4,009	441
Total public works	55,368	63,368	129,934	(66,566)
Recreation and cultural				
Parks maintenance	28,449	35,749	20,749	15,000
Library	25,750	35,000	14,288	20,712
Total recreation and cultural	54,199	70,749	35,037	35,712
Capital outlay	8,253	6,880	15,090	(8,210)
Debt service				
Principal	12,725	20,725	20,501	224
Interest	1,585	1,585	1,585	-0-
Total debt service	14,310	22,310	22,086	224

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
EXPENDITURES - CONTINUED				
Other				
Insurance	\$ 19,800	\$ 17,700	\$ 16,366	\$ 1,334
Contingencies	7,634	634	-	634
Total other	27,434	18,334	16,366	1,968
TOTAL EXPENDITURES	516,603	577,760	560,314	17,446
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,000	(23,480)	13,624	37,104
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	63,024	63,024
Transfers out	(7,000)	-	(44,666)	(44,666)
TOTAL OTHER FINANCING SOURCES (USES)	(7,000)	-0-	18,358	18,358
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(23,480)	31,982	55,462
Fund balance, beginning of year	213,729	213,729	213,729	-0-
Prior period adjustment	-	-	16,000	16,000
Fund balance, end of year	\$ 213,729	\$ 190,249	\$ 261,711	\$ 71,462

City of Laingsburg

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 72,803	\$ 72,803	\$ 73,762	\$ 959
Local	-	-	22,513	22,513
Interest	650	650	263	(387)
Other	100	100	1,163	1,063
	<u>73,553</u>	<u>73,553</u>	<u>97,701</u>	<u>24,148</u>
TOTAL REVENUES				
EXPENDITURES				
Public works				
Highways and streets				
Construction	24,367	29,667	29,602	65
Routine maintenance	19,605	23,505	19,296	4,209
Traffic services	8,168	8,268	3,572	4,696
Winter maintenance	14,913	16,113	15,562	551
Other	6,500	10,200	9,662	538
	<u>73,553</u>	<u>87,753</u>	<u>77,694</u>	<u>10,059</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(14,200)	20,007	34,207
Fund balance, beginning of year	<u>26,300</u>	<u>26,300</u>	<u>26,300</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 26,300</u>	<u>\$ 12,100</u>	<u>\$ 46,307</u>	<u>\$ 34,207</u>

OTHER SUPPLEMENTARY INFORMATION

City of Laingsburg
Nonmajor Governmental Funds
COMBINING BALANCE SHEET

June 30, 2005

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Local Street	Library	
ASSETS			
Cash and cash equivalents	\$ 19,060	\$ 19,512	\$ 38,572
Due from other governmental units			
State	4,406	-	4,406
Local	-	22,274	22,274
TOTAL ASSETS	<u>\$ 23,466</u>	<u>\$ 41,786</u>	<u>\$ 65,252</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued wages	\$ 311	\$ 1,214	\$ 1,525
Due to other funds	<u>32</u>	<u>86</u>	<u>118</u>
TOTAL LIABILITIES	343	1,300	1,643
FUND BALANCES			
Unreserved - undesignated	<u>23,123</u>	<u>40,486</u>	<u>63,609</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,466</u>	<u>\$ 41,786</u>	<u>\$ 65,252</u>

City of Laingsburg

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Local Street	Library	
REVENUES			
Intergovernmental			
State	\$ 27,235	\$ 4,661	\$ 31,896
Local	-	4,500	4,500
Charges for services	-	5,820	5,820
Fines and forfeits	-	33,285	33,285
Interest and rents	133	139	272
Other	474	1,794	2,268
TOTAL REVENUES	27,842	50,199	78,041
EXPENDITURES			
Current			
Public works	21,643	-	21,643
Recreation and cultural	-	66,160	66,160
TOTAL EXPENDITURES	21,643	66,160	87,803
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,199	(15,961)	(9,762)
OTHER FINANCING SOURCES			
Transfers in	-	20,000	20,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	6,199	4,039	10,238
Fund balances, beginning of year	16,924	36,447	53,371
Fund balances, end of year	\$ 23,123	\$ 40,486	\$ 63,609

City of Laingsburg
Component Unit Fund
BALANCE SHEET
June 30, 2005

	Downtown Development Authority
ASSETS	
Cash and cash equivalents	\$ 25,166
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other governmental units	\$ 15,000
FUND BALANCE	
Unreserved - undesignated	10,166
TOTAL LIABILITIES AND FUND BALANCE	\$ 25,166

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as the component unit fund balance was equal to the component unit net assets as of June 30, 2005.

City of Laingsburg

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

Year Ended June 30, 2005

	Downtown Development Authority
REVENUES	
Taxes	\$ 45,036
Charges for services	1,400
Interest	30
	<hr/>
TOTAL REVENUES	46,466
EXPENDITURES	
Community and economic development	20,390
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	26,076
Fund balance, beginning of year	90
Prior period adjustment	(16,000)
	<hr/>
Fund balance, end of year	<u><u>\$ 10,166</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and change in fund balance of the component unit governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2005.

Principals

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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Laingsburg
Laingsburg, Michigan

As you know, we have recently completed our audit of the records of the City of Laingsburg, Michigan as of and for the year ended June 30, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal controls and our discussions with management.

1. The City should adopt all budgets in a timely manner.

During our review of budgets, we noted that the City had not adopted budgets for the Downtown Development Authority in a timely manner. The budget for the 2004/05 fiscal year was not adopted until August 30, 2004. Additionally, the budget for 2005/06 fiscal year was not adopted until July 25, 2005. Public Act 621 of 1978 requires that budgets must be adopted for all funds prior to incurring expenditures.

We suggest the City review its policies related to budget adoption and in future years adopt budgets before any dollars are spent. Continued failure to do so is a violation of State law.

2. The Library should maintain proper records of cash receipts and deposits with the City Treasurer.

During our testing of the receipts processes, we noted that the Library did not retain supporting documentation for the amounts remitted to the City Treasurer for deposit. In five (5) separate instances daily Library receipts selected from the City Treasurer's records could not be traced back to supporting documentation at the Library. Maintaining appropriate documentation of cash receipts is a key internal control activity. A clear trail should exist from the point of collection through to the deposit with the City Treasurer. A similar issue was noted and reported in our prior year audit comments.

We suggest the City review receipt procedures for the Library to ensure that all supporting documentation is maintained.

3. The journal entry process should be evaluated and modified.

During our analysis of the journal entry process it was noted that there was insufficient documentation to support the journal entries being posted. A folder exists with some supporting documentation but it is not indexed to individual journal entries and therefore could not be traced into the general ledger. A file should be maintained in numerical order that shows the actual journal entry made as well as any support attached. Accounting for the sequence of journal entries should be readily apparent from reviewing this file.

We suggest the City review procedures for preparation of journal entries and make modifications so that all journal entries may be traced to supporting documentation.

4. The City Council should amend the City's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with management, it was noted that the City has not amended their investment policy to addresses the reporting requirements of GASB Statement No. 40. Deposit and investment resources often represent significant assets of the City's funds. These resources are necessary for the delivery of the City's services and programs, or to carry out its fiduciary responsibilities. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the City's ability to provide services and meet its obligations as they become due.

We suggest the City Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the City's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report of the financial statements dated September 8, 2005.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Laingsburg and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 8, 2005